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The President's Daily Brief

October 12, 1974

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~~*Top Secret*~~ 25X1

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Exempt from general
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USSR

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USSR-EGYPT

Egyptian Foreign Minister Fahmi, who visits Moscow beginning Monday, will probably be unable to relieve the strains in Soviet-Egyptian relations.

Fahmi will be accompanied by chief of staff Gamasi; a resumption of full Soviet military deliveries is sure to be the prime subject of his discussions. The Egyptian planning minister will also accompany Fahmi to review differences with Moscow over economic issues.

Recent Soviet comment has suggested that, despite Moscow's desire to avoid an open rupture with Sadat, it sees little need to improve its ties with Cairo in any significant way. The Soviets are probably calculating that a stalemate in the Middle East peace talks, economic problems, and the arms embargo will eventually bring Sadat around. Yesterday, in Moldavia, party boss Brezhnev took note of the lack of further progress toward a Middle East settlement, and Pravda recently said that disillusionment in Cairo with Western investment had led to the beginning of the "first sobering-up period."

Egyptian Prime Minister Hijazi told US Ambassador Eilts last week that Moscow's attitude led him to suspect that the Soviets intend to make Fahmi's trip a failure. A Soviet involved in Egyptian affairs reportedly has said that Moscow plans to make the visit unproductive, in the hope that it will lead to the removal of Fahmi--who the Soviets view as too close to the US. He said the Soviets would save specific agreements for an eventual Sadat-Brezhnev summit.

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UK

The Labor Party's narrow victory in the general election on Thursday was by a considerably smaller margin than most opinion polls had predicted.

Prime Minister Wilson is expected to form the new government on Monday, at which time he may announce its program. No major changes are likely in his cabinet.

Tory leader Heath's political career will probably not survive this latest defeat.

The Conservatives netted only 276 seats to Labor's 319, which was one more than necessary for a majority. The Liberals lost a seat, finishing with a total of only 13. The Scottish and Welsh nationalist parties picked up some seats, but not as many as had been anticipated.

Economic problems will command the immediate attention of the new Wilson government. The Prime Minister is certain to move toward increased government participation in industry. In view of the small size of Labor's majority, however, Wilson may be able to plead caution and soften the more radical demands of the party's left wing.

Wilson is expected to make every effort to persuade labor to abide by the program of voluntary wage controls known as the "social contract." The success of Labor's anti-inflation program will depend largely on the cooperation of trade union leaders and their ability to control rank-and-file workers.

The broad question of Britain's membership in the EC and a proposed referendum--expected within the year--could cause dissension within the Labor government. During the campaign, Wilson faced opposition from influential cabinet members Shirley Williams and Roy Jenkins, who declared that they would leave the government if Britain opted out of the Community. According to recent public opinion polls, the odds are about even that Britons will vote to pull out.

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The election outcome is unlikely to change the status of the UK defense review. Official decisions on the size of the cuts in the defense budget are expected to be announced sometime this fall. Some cuts in Britain's NATO-committed forces appear inevitable.

The new government will need to pay greater attention to the demands of the regional parties, notably the Scottish Nationalists. With their small but respectable total of 11 seats and the prospect of considerable wealth flowing into Scotland from the North Sea oil fields, the Scottish Nationalists will have a stronger voice in Parliament.

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GREECE

the Greek Communist Party 25X1

The party will compete in the November 17 election in a newly formed "Unified Left" alliance that includes a dissident communist party and the former communist front known as the United Democratic Left.

The alliance, which is not likely to last beyond the election, probably was joined by the Moscow-backed party as a result of Soviet pressure and financial inducement. The Moscow-backed group previously had refused to cooperate with the United Democratic Left, and was feuding with the dissident communist party over who had the right to call itself the Communist Party.

A unified campaign by these parties will enable them to exploit the government's policy of giving equal time on national TV to all major political groups.

the Unified Left may pull 10 to 15 percent of the vote. 25X1
The Moscow-backed party's main problem is finding candidates with sufficient prestige; most of its leaders lost their citizenship because of their support for communist guerrillas at the time of World War II. In contrast, Andreas Papandreou, who has not joined the new left grouping, may be able to attract as much as 25 percent of the vote.

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TURKEY-CYPRUS

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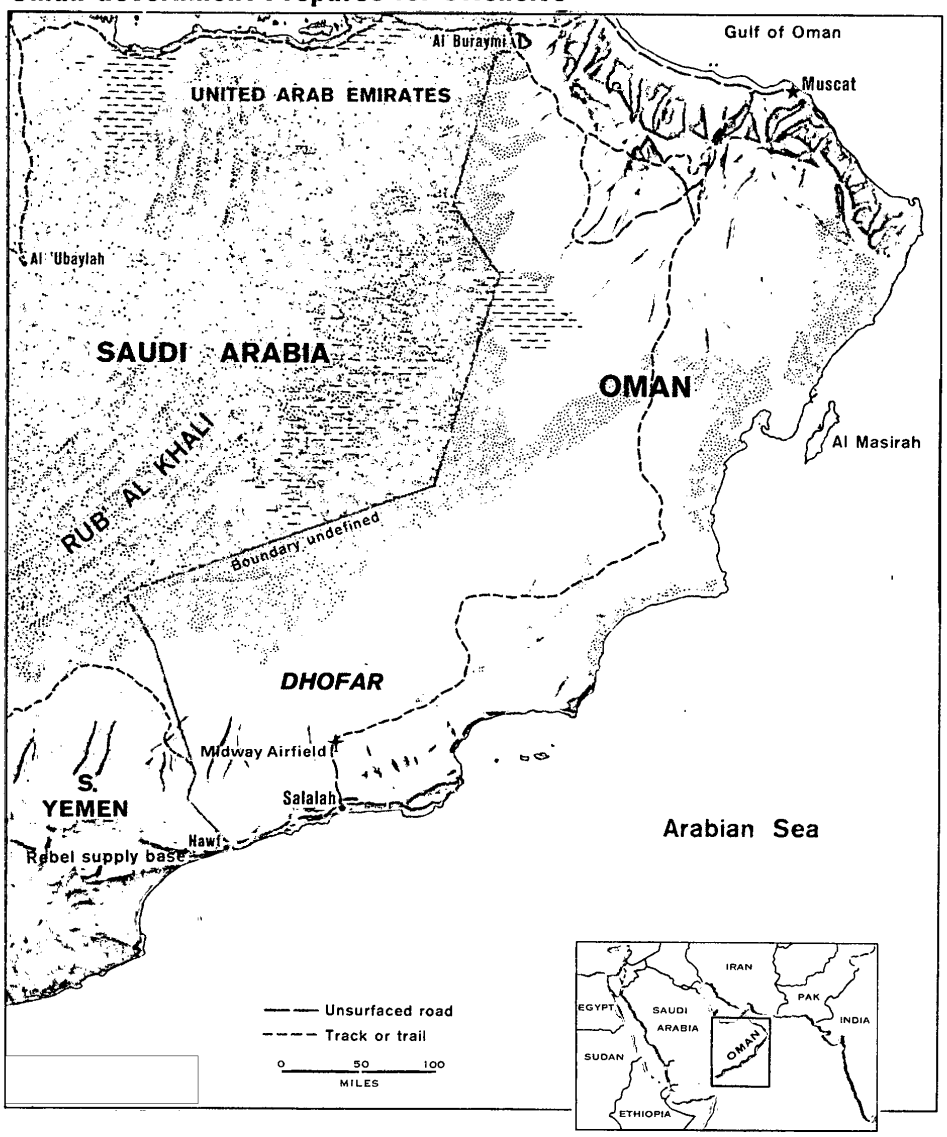
Oman Government Prepares for Offensive



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OMAN

A major government offensive aimed at regaining control over western Dhofar Province from insurgent forces of the leftist Popular Front for the Liberation of Oman is set for early November.

The Omani foreign minister announced on Thursday that Omani forces were taking over positions previously occupied by Iranian forces, "who are now returning home"--presumably a reference to a 1,400-man Iranian contingent that has been in Oman for some time. The announcement apparently was an attempt to counter sharp criticism by some radical Arab states of the involvement of non-Arab Iran in Oman.

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Rebel forces now in western Dhofar are believed to number fewer than 500, including militia. Supplies reportedly are inadequate and morale is low. South Yemen has given the rebels strong support in the past, but the leftist regime in Aden is not expected to become further involved in the coming fighting.

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BRAZIL

A seemingly minor incident involving the arrest of US citizen Frederick Morris has grown into a highly publicized affair that may have an adverse impact on US relations with Brazil.

Foreign Minister Silveira has reacted strongly and publicly to the embassy's efforts to protect Morris, who was arrested two weeks ago on charges of subversion. During a recent press conference, the foreign minister charged in effect that Brazil's sovereignty was being challenged by the embassy's actions. A media campaign protesting the ambassador's personal efforts in the case has apparently been fed by the Foreign Ministry.

It is unclear just why the Brazilians have chosen to dramatize the incident. It seems likely, however, that the foreign minister welcomed the opportunity to demonstrate Brazil's--and his--willingness to stand up to the US. Silveira may be under some pressure from the military, which appears to have mishandled the case from the start.

Brasilia's handling of the matter indicates that, despite normally close relations with the US, nationalist sentiment can occasionally lead to friction. This is likely to become more evident as the government seeks to assert its "independence" in world affairs.

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PAKISTAN

Pakistani Prime Minister Bhutto has inquired about the possibility of a visit to Washington soon. He told US Ambassador Byroade that he had known former president Nixon quite well and felt uncomfortable about not being personally acquainted with you.

Following up on Bhutto's request, Foreign Secretary Shahi told Byroade that Bhutto would like to come to Washington some time in November. The Washington trip would follow Bhutto's expected visit to Moscow around October 20 and Secretary Kissinger's end-of-the-month trip to Pakistan and several neighboring countries. Shahi claimed the following as the reasons for Bhutto's interest in coming here:

--Domestic support for Pakistan's present pro-US orientation is eroding, and to arrest this trend, Bhutto wants more tangible evidence of US support.

--During Bhutto's Moscow visit, he will be pressed to go along with the USSR's long-standing desire for a Soviet-sponsored Asian collective security system. Bhutto will adopt a "stalling position" in Moscow but might eventually have to go along with the Soviets, given their strong position in India and Afghanistan and the lack of US arms aid to Pakistan.

--While Pakistan recognizes its limited importance to the US, it could help US interests in the nearby Persian Gulf area.

For these reasons, according to the Foreign Secretary, Pakistan feels that it could convince the new US administration that the time has come for the US to back up its declarations of political support for Pakistan by easing restrictions on military assistance.

While the Pakistanis genuinely--and increasingly--feel the concerns voiced by Shahi, their strong desire for a change in US arms supply policy is not new. We believe Bhutto would think carefully before jeopardizing his friendly ties with the US and China by trying to move closer to Moscow.

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